

AID ATLANTA, INCORPORATED

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
and
SUPPLEMENTARY INFORMATION

with
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

Board of Directors

AID Atlanta, Incorporated

Report on the Financial Statements

We have audited the accompanying financial statements of AID Atlanta, Incorporated (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AID Atlanta, Incorporated as of December 31, 2018 and 2017, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Notes 1 and 9, the Organization has significant transactions with AIDS Healthcare Foundation (“AHF”) and is dependent upon AHF to help fund operations until the Organization generates sufficient public support and revenue to fully fund operations and obligations.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2019 on our consideration of the Organization’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control over financial reporting and compliance.



March 11, 2019

AID ATLANTA, INCORPORATED
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Current Assets		
Cash	\$ 281,047	\$ 392,880
Grants receivable	851,255	995,399
Pledges receivable	74,555	26,194
Prepaid expenses	58,008	27,472
Other assets	<u>15,000</u>	<u>15,000</u>
Total Current Assets	1,279,865	1,456,945
Property and Equipment, Net	<u>357,886</u>	<u>631,214</u>
Total Assets	<u>\$ 1,637,751</u>	<u>\$ 2,088,159</u>

LIABILITIES AND NET ASSETS (DEFICIT)

Current Liabilities		
Accounts payable and accrued expenses	\$ 675,936	\$ 526,700
Accrual for compensated absences	122,184	101,501
Deferred rent, current portion	<u>26,431</u>	<u>14,150</u>
Total Current Liabilities	<u>824,551</u>	<u>642,351</u>
Long-Term Liabilities		
Payable to AIDS Healthcare Foundation	2,426,638	2,847,976
Deferred rent, net of current portion	<u>16,346</u>	<u>42,777</u>
	<u>2,442,984</u>	<u>2,890,753</u>
Net Assets (Deficit)		
Without donor restrictions	(1,656,059)	(1,479,392)
With donor restrictions	<u>26,275</u>	<u>34,447</u>
Total Net Assets (Deficit)	<u>(1,629,784)</u>	<u>(1,444,945)</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 1,637,751</u>	<u>\$ 2,088,159</u>

The accompanying notes are an integral part of these financial statements.

AID ATLANTA, INCORPORATED
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor</u> <u>Restriction</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Public Support and Revenue			
Public Support			
Foundation grants	\$ 115,328	\$ 58,096	\$ 173,424
Funding from AHF	2,813,754	-	2,813,754
Government grants	6,609,588	-	6,609,588
Insurance reimbursements	45,128	-	45,128
Contributions and memorials	211,310	-	211,310
AIDS Walk, including in-kind donations	1,011,274	-	1,011,274
Total Public Support	<u>10,806,382</u>	<u>58,096</u>	<u>10,864,478</u>
Revenues and Gains			
Other revenue	<u>133,532</u>	-	<u>133,532</u>
Total Revenue and Gains	<u>133,532</u>	-	<u>133,532</u>
Total Public Support and Revenue	<u>10,939,914</u>	<u>58,096</u>	<u>10,998,010</u>
Net assets released from restrictions - satisfaction of program restrictions	<u>66,268</u>	<u>(66,268)</u>	<u>-</u>
Expenses			
Program services	9,992,262	-	9,992,262
Supporting services	<u>1,190,587</u>	-	<u>1,190,587</u>
Total Expenses	<u>11,182,849</u>	<u>-</u>	<u>11,182,849</u>
Change in Net Assets	(176,667)	(8,172)	(184,839)
Net Assets (Deficit), Beginning of Year	<u>(1,479,392)</u>	<u>34,447</u>	<u>(1,444,945)</u>
Net Assets (Deficit), End of Year	<u>\$ (1,656,059)</u>	<u>\$ 26,275</u>	<u>\$ (1,629,784)</u>

The accompanying notes are an integral part of these financial statements.

AID ATLANTA, INCORPORATED
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2017

	<u>Without Donor</u> <u>Restriction</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Public Support and Revenue			
Public Support			
Foundation grants	\$ 27,389	\$ 16,960	\$ 44,349
Funding from AHF	2,552,056	-	2,552,056
Government grants	6,287,077	-	6,287,077
Insurance reimbursements	92,750	-	92,750
Contributions and memorials	106,972	-	106,972
AIDS Walk, including in-kind donations	919,418	-	919,418
Total Public Support	<u>9,985,662</u>	<u>16,960</u>	<u>10,002,622</u>
Revenues and Gains			
Other revenue	<u>88,630</u>	-	<u>88,630</u>
Total Revenue and Gains	<u>88,630</u>	-	<u>88,630</u>
Total Public Support and Revenue	<u>10,074,292</u>	<u>16,960</u>	<u>10,091,252</u>
Net assets released from restrictions - satisfaction of program restrictions	<u>137,597</u>	<u>(137,597)</u>	<u>-</u>
Expenses			
Program services	8,989,566	-	8,989,566
Supporting services	<u>1,429,758</u>	-	<u>1,429,758</u>
Total Expenses	<u>10,419,324</u>	-	<u>10,419,324</u>
Change in Net Assets	(207,435)	(120,637)	(328,072)
Net Assets (Deficit), Beginning of Year	<u>(1,271,957)</u>	<u>155,084</u>	<u>(1,116,873)</u>
Net Assets (Deficit), End of Year	<u>\$ (1,479,392)</u>	<u>\$ 34,447</u>	<u>\$ (1,444,945)</u>

The accompanying notes are an integral part of these financial statements.

AID ATLANTA, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>					<u>Supporting Services</u>			<u>2018</u>
	<u>Client Services</u>	<u>Education</u>	<u>Health Center</u>	<u>AIDS Walk</u>	<u>Total Program Services</u>	<u>Development</u>	<u>Management and General</u>	<u>Total Supporting Services</u>	
Salaries	\$ 1,702,108	\$ 604,028	\$ 1,089,599	\$ 148,103	\$ 3,543,838	\$ 83,818	\$ 459,884	\$ 543,702	\$ 4,087,540
Employee benefits	509,135	126,211	250,938	20,186	906,470	31,648	117,312	148,960	1,055,430
Total Compensation and Benefits	<u>2,211,243</u>	<u>730,239</u>	<u>1,340,537</u>	<u>168,289</u>	<u>4,450,308</u>	<u>115,466</u>	<u>577,196</u>	<u>692,662</u>	<u>5,142,970</u>
Advertising	-	23,998	-	25,216	49,214	430	-	430	49,644
Contract Services	86,238	353,202	124,847	-	564,287	3,197	67,607	70,804	635,091
Contributed Goods and Services	-	-	-	-	-	-	1,647	1,647	1,647
Depreciation	103,324	35,490	109,045	10,475	258,334	5,065	41,462	46,527	304,861
Direct Expenses	-	23,030	1,754,146	371	1,777,547	-	7,871	7,871	1,785,418
Dues & Subscriptions	-	-	1,500	1,178	2,678	1,378	139	1,517	4,195
Emergency Assistance	1,377,515	-	41,700	-	1,419,215	-	-	-	1,419,215
Equipment Rental & Maintenance	8,486	1,618	19,416	28,369	57,889	24,709	41,126	65,835	123,724
Interest and Bank Charges	-	-	1,761	10,178	11,939	1,178	13,391	14,569	26,508
Meetings & Conference	-	1,127	967	-	2,094	3,793	64	3,857	5,951
Miscellaneous	-	2,450	-	-	2,450	122	88,556	88,678	91,128
Occupancy	74,909	36,567	239,778	19,415	370,669	2,105	59,286	61,391	432,060
Postage & Shipping	1,507	2,328	2,011	2,424	8,270	91	2,320	2,411	10,681
Printing & Newsletter	1,031	6,174	174	20,507	27,886	2,735	1,916	4,651	32,537
Production Costs, AIDS Walk	-	-	-	77,678	77,678	-	-	-	77,678
Professional Fees	5,821	-	36,354	59,056	101,231	-	28,218	28,218	129,449
Special Events	4,669	23,830	-	443,125	471,624	53,113	2,888	56,001	527,625
Staff Development & Workshops	10,555	-	2,639	1,404	14,598	-	4,621	4,621	19,219
Supplies	14,683	171,736	32,056	2,660	221,135	643	21,013	21,656	242,791
Telephone	32,606	17,103	17,471	10,383	77,563	2,322	13,384	15,706	93,269
Travel	7,566	13,410	4,104	573	25,653	129	1,406	1,535	27,188
Total Functional Expenses	<u>\$ 3,940,153</u>	<u>\$ 1,442,302</u>	<u>\$ 3,728,506</u>	<u>\$ 881,301</u>	<u>\$ 9,992,262</u>	<u>\$ 216,476</u>	<u>\$ 974,111</u>	<u>\$ 1,190,587</u>	<u>\$ 11,182,849</u>

The accompanying notes are an integral part of these financial statements.

AID ATLANTA, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	<u>Program Services</u>					<u>Supporting Services</u>			
	<u>Client Services</u>	<u>Education</u>	<u>Health Center</u>	<u>AIDS Walk</u>	<u>Total Program Services</u>	<u>Development</u>	<u>Management and General</u>	<u>Total Supporting Services</u>	<u>2017</u>
Salaries	\$ 1,435,084	\$ 444,897	\$ 1,089,349	\$ 100,338	\$ 3,069,668	\$ 102,933	\$ 401,194	\$ 504,127	\$ 3,573,795
Employee benefits	486,118	125,792	205,353	19,961	837,224	22,894	109,239	132,133	969,357
Total Compensation and Benefits	<u>1,921,202</u>	<u>570,689</u>	<u>1,294,702</u>	<u>120,299</u>	<u>3,906,892</u>	<u>125,827</u>	<u>510,433</u>	<u>636,260</u>	<u>4,543,152</u>
Advertising	-	5,571	-	16,155	21,726	1,366	730	2,096	23,822
Contract Services	229,486	375,049	143,867	144,050	892,452	-	376,677	376,677	1,269,129
Contributed Goods and Services	-	-	-	239,196	239,196	-	-	-	239,196
Depreciation	58,278	27,451	144,787	8,782	239,298	2,037	71,026	73,063	312,361
Direct Expenses	-	-	1,124,940	-	1,124,940	-	-	-	1,124,940
Dues & Subscriptions	30,378	-	25,316	174	55,868	920	4,173	5,093	60,961
Emergency Assistance	1,565,244	-	70,101	-	1,635,345	-	-	-	1,635,345
Equipment Rental & Maintenance	2,537	5,441	4,655	32,505	45,138	2,511	65,914	68,425	113,563
Interest and Bank Charges	-	-	2,852	10,978	13,830	631	25,250	25,881	39,711
Meetings & Conference	2,111	2,642	-	845	5,598	55	6,739	6,794	12,392
Miscellaneous	168	855	5,520	-	6,543	29	18,983	19,012	25,555
Occupancy	75,914	44,277	195,138	17,452	332,781	2,609	66,283	68,892	401,673
Postage & Shipping	2,659	401	481	2,147	5,688	107	2,704	2,811	8,499
Printing & Newsletter	1,330	-	892	2,919	5,141	96	-	96	5,237
Production Costs, AIDS Walk	-	-	-	101,127	101,127	-	-	-	101,127
Professional Fees	-	-	584	-	584	-	65,266	65,266	65,850
Special Events	2,184	28,826	-	-	31,010	2,757	2,035	4,792	35,802
Staff Development & Workshops	5,833	-	-	-	5,833	-	-	-	5,833
Supplies	7,370	128,230	78,271	1,493	215,364	310	14,072	14,382	229,746
Telephone	38,403	18,431	17,989	9,908	84,731	2,640	53,730	56,370	141,101
Travel	5,616	9,022	5,166	677	20,481	7	3,841	3,848	24,329
Total Functional Expenses	<u>\$ 3,948,713</u>	<u>\$ 1,216,885</u>	<u>\$ 3,115,261</u>	<u>\$ 708,707</u>	<u>\$ 8,989,566</u>	<u>\$ 141,902</u>	<u>\$ 1,287,856</u>	<u>\$ 1,429,758</u>	<u>\$ 10,419,324</u>

The accompanying notes are an integral part of these financial statements.

AID ATLANTA, INCORPORATED
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (184,839)	\$ (328,072)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	304,861	312,361
Straight-line rent adjustment	(14,150)	(2,342)
Bad debt credit	-	(124)
Change in cash due to (increase) decrease in operating assets:		
Grants receivable	144,144	782,521
Pledges receivable	(48,361)	51,001
Other receivables	-	1,436
Prepaid expenses	(30,536)	20,039
Change in cash due to increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	149,236	93,097
Accrual for compensated absences	20,683	(15,903)
Net Cash Provided by Operating Activities	<u>341,038</u>	<u>914,014</u>
Cash Flows from Investing Activities:		
Property and equipment additions	<u>(31,533)</u>	<u>(23,288)</u>
Net Cash Required by Investing Activities	<u>(31,533)</u>	<u>(23,288)</u>
Cash Flows from Financing Activities:		
Advances from (Repayments to) AHF, net	<u>(421,338)</u>	<u>(820,136)</u>
Net Cash Required by Financing Activities	<u>(421,338)</u>	<u>(820,136)</u>
Net Increase (Decrease) in Cash	(111,833)	70,590
Cash, Beginning of Year	<u>392,880</u>	<u>322,290</u>
Cash, End of Year	<u>\$ 281,047</u>	<u>\$ 392,880</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

During 2017, AHF transferred to the Organization property and equipment with a net book value of approximately \$155,000, which was recorded as an advance from AHF.

The accompanying notes are an integral part of these financial statements.

AID ATLANTA, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 – SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

Organization

AID Atlanta, Incorporated (the “Organization”) was incorporated as a non-profit corporation under the laws of the State of Georgia in 1982. The Organization was founded as a grass-roots response to the devastating and fatal impact HIV and AIDS was having on the Atlanta community. The Organization provides HIV prevention education, HIV testing and counseling, medical case management, supportive services, and primary medical care to those most in need of services.

During 2015, the Organization reorganized by amending its Articles of Incorporation to reduce the size of the Board from 22 to 3 members, who are selected solely by AIDS Healthcare Foundation (“AHF”). The Organization is a supporting organization of AHF and is consolidated within the financial statements of AHF.

The Organization's financial statements have been prepared on the accrual basis whereby revenues are recognized when earned and expenses are recorded when incurred. The significant accounting policies followed by the Organization are described below.

Basis of Accounting

The Organization follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets accounting principles generally accepted in the United States of America (“GAAP”).

Accounting Pronouncement Adopted

In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a nonprofit’s liquidity and availability of resources, expenses and investments returns, and cash flows. Main provisions of this guidance include: (a) presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose a summary of the allocation methods used to allocate costs, (d) presenting investment return net of external and direct internal investment expenses, and (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources.

AID ATLANTA, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncement Adopted (Continued)

The Organization opted to not disclose liquidity and availability of resources information for 2017 as permitted under the ASU in the year of adoption.

Basis of Presentation

The Organization's net assets and revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions.

Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. The Organization did not have any donor-imposed restrictions that were perpetual in nature as of December 31, 2018.

Revenues from sources other than contributions are reported as increases in net assets without donor restriction. Contributions are reported as increases in the appropriate net asset category. Contributions of assets other than cash and cash equivalents are recorded at their estimated fair value at the date of the gift as determined by independent appraisal or other valuation methods as deemed appropriate by management. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. An allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors. There is no allowance deemed necessary at December 31, 2018 and 2017.

Expirations of temporary restrictions recognized on net assets are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions.

AID ATLANTA, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 – SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Fair Value of Financial Instruments

The carrying value of cash, receivables, accounts payable and accrued expenses approximate fair value because of the short maturity of these financial instruments.

Property and Equipment

Property and equipment are recorded at cost, or if donated, at approximate fair value at the date of donation. The Organization capitalizes property and equipment if its value is greater than \$500 and its useful life is more than one year. Leasehold improvements are amortized over the shorter of the lease term or the useful life of the asset. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	3 – 7 years
Leasehold improvements	5 – 7 years

Deferred Rent Obligations

Rent expense for operating leases that contain scheduled rent increases, net of any landlord allowances, is recognized for financial reporting purposes on the straight-line method. Consequently, amounts that have been expensed for financial reporting purposes, but not yet paid, are reflected as deferred rent obligations in the accompanying statement of financial position.

Donated Materials, Equipment and Services

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Organization received in-kind donations associated with the AIDS Walk of \$269,435 and \$239,196 during the years ended December 31, 2018 and 2017, respectively.

AID ATLANTA, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 – SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Donated Materials, Equipment and Services (Continued)

The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks to assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. No amounts have been reflected in the financial statements for services donated by individual volunteer.

Functional Expense Allocation

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. A portion of the general and administrative costs that benefit multiple functional areas (indirect costs) have been allocated across programs and the supporting services based on the number of employees using the resources. Rent is allocated among functional areas based on headcount.

Income Taxes

The Organization is a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements do not include federal and state income taxes from the Organization's activities.

The Organization annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification.

In the normal course of business, the Organization is subject to examination by the federal and state taxing authorities. In general, the Organization is no longer subject to tax examinations for tax years ending before December 31, 2015.

AID ATLANTA, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 – SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Income Taxes (Continued)

During December 2017, the President of the United States of America signed into law the Tax Cuts and Jobs Act. Under this Act, maximum corporate tax rates were reduced from a rate of 35% to a flat rate of 21%. The Organization's tax liability for any potential unrelated business income tax should not be significant. There are other changes to the tax law that may affect the Organization, but the magnitude of such changes has not been determined.

Management Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 1,757,924	\$ 1,731,935
Leasehold improvements	375,596	372,126
Artwork	<u>12,800</u>	<u>12,800</u>
	2,146,320	2,116,861
Less accumulated depreciation	<u>(1,828,029)</u>	<u>(1,523,168)</u>
	318,291	593,693
Construction in progress	<u>39,595</u>	<u>37,521</u>
	<u>\$ 357,886</u>	<u>\$ 631,214</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$304,861 and \$312,361, respectively.

AID ATLANTA, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018 and 2017, net assets with donor restrictions of \$26,275 and \$34,447, respectively, were available for client services. Net assets for client services released from restrictions during the years ended December 31, 2018 and 2017, were \$66,268 and \$137,597, respectively.

NOTE 4 – EMPLOYEE BENEFITS PLAN

The Organization participates in a defined contribution plan administered by AHF. The plan is for the benefit of all full-time employees who qualify under the participation requirements. Participants may contribute up to 20% of pre-tax annual compensation as defined by the plan. The plan provides for matching contributions which are remitted monthly by the Organization to the plan. The Organization contributed \$92,163 and \$74,095 to the plan during the years ended December 31, 2018 and 2017, respectively.

NOTE 5 – AIDS WALK

Annually, the Organization sponsors an AIDS Walk, which provides educational and AIDS awareness services to the greater Atlanta community. Revenues and expenses are as follows for years ended December 31:

	<u>2018</u>	<u>2017</u>
Revenues	\$ 1,011,274	\$ 919,418
Less: grants to other agencies	(77,678)	(104,582)
Less: other expenses	<u>(803,623)</u>	<u>(604,125)</u>
	<u><u>\$ 129,973</u></u>	<u><u>\$ 210,711</u></u>

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Grants often require the fulfillment of certain conditions as set forth in the related instruments. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of the funds is a possibility, the Board of Directors deems the contingency unlikely, since upon accepting the grants the Organization has agreed to comply with provisions thereof.

AID ATLANTA, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 7 – OPERATING LEASE OBLIGATIONS

The Organization leases equipment and facilities for office space and parking under non-cancellable operating leases. Future minimum lease payments are as follows for years ending December 31:

2019	\$ 374,210
2020	<u>162,778</u>
	<u>\$ 536,988</u>

Total rent expense for the years ended December 31, 2018 and 2017 was \$385,434 and \$381,027, respectively.

NOTE 8 – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash accounts at financial institutions. At times, cash balances exceed federally insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements.

The Organization depends heavily on contributions and grants for its revenue. During 2018 and 2017, the Organization received 61% and 63%, respectively, of its funding from government grants. Also during 2018 and 2017, the Organization received \$2,813,754 and \$2,552,056 (26% and 26% of its funding), respectively, from AHF. The ability of the Organization's contributors and grantors as well as AHF to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions.

NOTE 9 – RELATED PARTY TRANSACTIONS

During 2018 and 2017, AHF provided support to the Organization totaling \$2,813,754 and \$2,552,056, respectively, included in net assets without donor restrictions on the accompanying statement of activities and changes in net assets. During 2018 and 2017, AHF also provided financing to the Organization with an interest free payable which was used for funding operations. The payable had a balance at December 31, 2018 and 2017 of \$2,426,638 and \$2,847,976, respectively. These amounts are included in long-term liabilities on the accompanying statement of financial position as no prescribed repayment terms have been established and repayment during the year ending December 31, 2019 is not anticipated.

AID ATLANTA, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 10 – LIQUIDITY AND AVAILABILITY OF RESOURCES

For purposes of analyzing resources available to meet general expenditures for 2019, the Organization considers financial assets that will be collected and available for 2019 programs that are ongoing to the Organization. Financial assets available within one year are as follows:

Cash and Cash Equivalents	\$ 281,047
Grants receivable	851,255
Pledges receivable	<u>74,555</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,206,857</u>

As described in Note 1 and 9, the Organization receives support from AHF to help manage unanticipated liquidity needs. During the year, AHF advances the Organization any needed funds through an intercompany payable. This is determined based on the needs of the Organization.

REPORTS AND OTHER SCHEDULES AND INFORMATION

**AS REQUIRED BY THE UNIFORM GUIDANCE
YEAR ENDED DECEMBER 31, 2018**

AID ATLANTA, INCORPORATED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Contract Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through Fulton County, Georgia			
HIV Emergency Relief Project Grants (Ryan White HIV/AIDS Program Part A)	118-17106803B	93.914	\$ 607,143
HIV Emergency Relief Project Grants (Ryan White HIV/AIDS Program Part A)	18C112741B-RD	93.914	2,201,904
			<u>2,809,047</u>
Passed through Fulton County, Georgia			
Ryan White Part C Outpatient EIS Program (Jan-Apr)	H76HA28471	93.918	109,539
Ryan White Part C Outpatient EIS Program (May-Dec)	H76HA28471	93.918	317,911
			<u>427,450</u>
Passed through Fulton County, Georgia			
Comprehensive HIV Prevention Program for Fulton and DeKalb	17RFP1205A-YJ	93.940	98,549
Passed through the Georgia Department of Public Health			
Information Line	40500-044-17151448	93.940	110,000
			<u>208,549</u>
Passed through the Centers for Disease Control and Prevention			
HIV Prevention Activities - Non-Governmental Organization Based	1U65PS004726-01	93.939	390,138
HIV Prevention Activities - Non-Governmental Organization Based	5NU65PS004726-04-00	93.939	393,858
			<u>783,996</u>
Passed through the Georgia Department of Public Health			
Ryan White Part B - Haven of Hope (Jan-Mar)	40500-044-17172223	93.917	113,784
Ryan White Part B - Haven of Hope (Apr-Dec)	40500-044-18172223	93.917	310,650
			<u>424,434</u>
Passed through Emory University			
Drug Abuse and Addiction Research Program - Element	1RO1DA038196-01	93.279	9,584
			<u>9,584</u>
Total U.S. Department of Health and Human Services			<u>4,663,060</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through City of Atlanta, Georgia			
Housing Opportunities for Persons with AIDS Program	250132331	14.241	1,921,528
			<u>1,921,528</u>
Total U.S. Department of Housing and Urban Development			<u>1,921,528</u>
Total Federal Expenditures			<u>\$ 6,584,588</u>

AID ATLANTA, INCORPORATED
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards summarizes the expenditures of AID Atlanta, Incorporated (the “Organization”), under programs of the federal government for the year ended December 31, 2018 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the “Uniform Guidance”). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – ACCOUNTING PRINCIPLES

Expenditures for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in the Uniform Guidance. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The Organization did not elect to use the 10% de minimis cost rate covered under *Title 2 U.S. Code of Federal Regulations Part 200*, Subpart E, Cost Principles.

NOTE 4 – CONTINGENCIES

These Federal programs are subject to financial and compliance audits by grantor agencies which, if instances of material noncompliance are found, may result in disallowed expenditures and affect the Organization’s continued participation in specific programs. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors of AID Atlanta, Incorporated

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of AID Atlanta, Incorporated (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated the date of this report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Smith + Howard

March 11, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

**Board of Directors of
AID Atlanta, Incorporated**

Report on Compliance for Each Major Federal Program

We have audited AID Atlanta, Incorporated (a nonprofit organization) (the "Organization"), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2018. The Organization's major federal programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Smith & Howard

March 11, 2019

**AID ATLANTA, INCORPORATED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

Section I – Summary of Auditors’ Results

Financial Statements

The type of auditors’ report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted? None Reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None Reported

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

- CFDA No. 14.241 Housing Opportunities for Persons with AIDS Program

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as a low-risk auditee? Yes

Section II – Financial Statement Findings

None noted.

AID ATLANTA, INCORPORATED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

Section III – Major Federal Award Findings and Questioned Costs

None noted.

Section IV – Summary Schedule of Prior Audit Findings and Questioned Costs

There are no matters to report.